

Message Text

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17

ACTION EA-09

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 SAM-01 OES-06

SP-02 SS-15 STR-04 TRSE-00 ACDA-07 FEA-01 PA-01 PRS-01

/101 W

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R 170300Z AUG 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 6242

INFO AMEMBASSY KUALA LUMPUR

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

AMCONSUL HONG KONG

AMCONSUL MEDAN

AMCONSUL SURABAYA

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E.O. 11652: N/A

TAGS: EMIN, ID

SUBJECT: GOI REASSURES MINING COMPANIES

REF : (A) JAKARTA A-87, (B) 75 JAKARTA 10679

1. SUMMARY: GOI MINISTER OF MINES SAYS GOI DOES NOT PLAN TO REVISE ITS MINING CONTRACT SYSTEM EXCEPT ON OIL. SHELL AND FREEPORT MINERALS' EXECUTIVES, CONTEMPLATING LARGE-SCALE INVESTMENT IN COAL AND COPPER RESPECTIVELY, HAVE EXPRESSED THEIR CONCERN TO EMBASSY OVER CURRENT GOI POLICIES. GOI REASSURANCES SHOULD HELP, BUT ARE UNLIKELY TO ANSWER ALL THEIR DOUBTS. END SUMMARY.

2. ENGLISH LANGUAGE JAKARTA "TIMES" ON SATURDAY, AUGUST 14, LIMITED OFFICIAL USE

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QUOTED GOI MINISTER OF MINES SADLI AS STATING THAT GOI

DOES NOT PLAN TO REVISE ITS MINING CONTRACT SYSTEM EXCEPT FOR OIL, AND IT WAS GROUNDLESS (SIC) FOR FOREIGN CONTRACTORS TO FEAR THAT THE NEW CONTRACT SYSTEM WILL BE INTRODUCED TO OTHER MINING SECTORS. STORY WAS GIVEN PROMINENT FRONT-PAGE COVERAGE.

3. IN PAST WEEK NEW YORK-BASED EXECUTIVE OF FREEPORT MINERALS AND JAKARTA-BASED EXECUTIVE WITH SHELL MIJNBOW HAVE BOTH EXPRESSED THEIR CONCERN WITH CURRENT INVESTMENT CLIMATE IN INDONESIA TO EMBASSY OFFICERS. FREEPORT ORE RECOVERABLE FROM OPEN-PIT OPERATION IS EXPECTED TO BE EXHAUSTED WITHIN FIVE TO SEVEN YEARS; TURNING TO UNDERGROUND MINING WOULD INVOLVE ENORMOUS CAPITAL EXPENSES. AS FREEPORT OFFICER SAID, IF CURRENT CLIMATE IS JUST PART OF THE PRE-ELECTION ATMOSPHERICS (ELECTIONS ARE SCHEDULED FOR MAY 1977) WE CAN LIVE WITH THEM, BUT IF THERE HAS BEEN A FUNDAMENTAL SHIFT IN THE ATTITUDE ON FOREIGN INVESTMENT WE CANNOT AFFORD THE KIND OF EXPENDITURE UNDERGROUND MINING WOULD INVOLVE; IT WOULD BE YEARS BEFORE WE GOT PAST PAY-BACK PERIOD. SHELL MIJNBOW WHICH HAS CONCLUDED A COAL PRODUCTION-SHARING AGREEMENT WITH THE STATE-OWNED MINING COMPANY P.N. BATUBARA EXPECTS THAT PRODUCTION MIGHT BEGIN IN 1982-83 (THIS IS A SLIPPAGE FROM PREVIOUS ESTIMATES). THEY HAD ALREADY RECEIVED PRIVATE REASSURANCES FROM MINISTRY OF MINES OFFICIALS THAT THEIR AGREEMENT WAS FIRM AND NOT SUBJECT TO RENEGOTIATION, BUT PREVIOUS EXPERIENCE IN THE OIL SECTOR LEADS SHELL TO BE SOMEWHAT SKEPTICAL. SHELL OFFICER POINTED OUT THAT, UNLIKE SITUATION WITH OIL, THERE IS PLENTY OF COAL IN THE WORLD AND THE INDONESIANS KNOW THAT; THEY SHOULD BE REASONABLE.

4. COMMENT: MINISTER SADLI'S STATEMENT AND PROMINENT ATTENTION IT WAS GIVEN IS EVIDENCE OF GOI CONCERN OVER SHRINKING FOREIGN INVESTMENT; WHETHER REASSURANCES WILL BE ENOUGH TO SATISFY THE MINING COMPANIES IS ANOTHER QUESTION. THESE COMPANIES HAVE DONE WELL HERE IN INDONESIA IN THE PAST, AND THEY WILL BE RELUCTANT TO RUN DOWN THEIR INVESTMENTS, BUT A "WATCHFUL WAITING" ON THEIR PART AT LEAST UNTIL AFTER THE MAY ELECTIONS SEEMS TO BE A SAFE PREDICTION.

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NEWSOM

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, MINING INDUSTRY, CENTRAL GOVERNMENT
Control Number: n/a
Copy: SINGLE
Draft Date: 17 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976JAKART10760
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760314-1353
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760847/aaaabosq.tel
Line Count: 108
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 JAKARTA A-87, 75 JAKARTA 10679
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 25 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 MAY 2004 by BoyleJA>; APPROVED <20 SEP 2004 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOI REASSURES MINING COMPANIES
TAGS: EMIN, ID
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006